

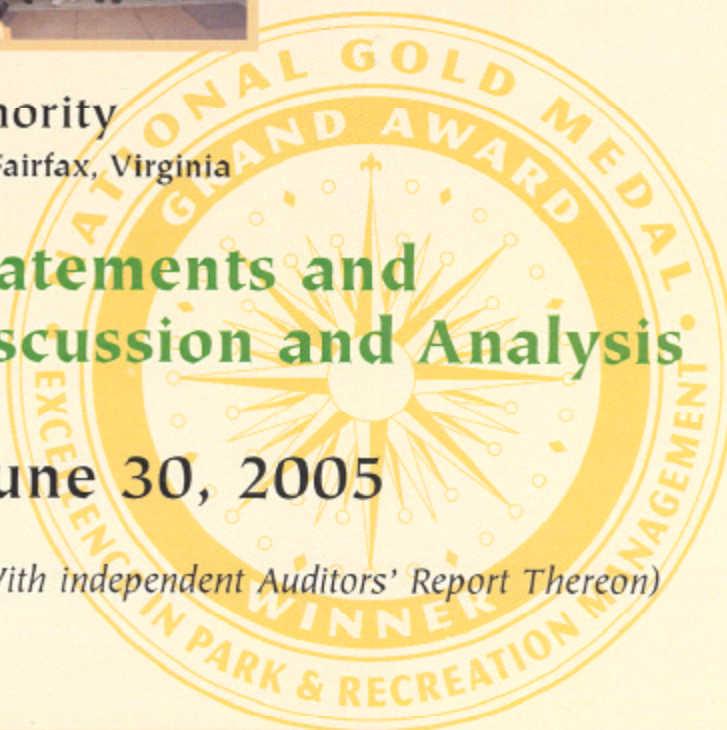


Fairfax County Park Authority  
A Component Unit of the County of Fairfax, Virginia

# Basic Financial Statements and Management's Discussion and Analysis

June 30, 2005

(With independent Auditors' Report Thereon)







KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

The Board of Supervisors  
County of Fairfax, Virginia:

The Fairfax County Park Authority Board:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Fairfax County Park Authority (the Authority), a component unit of the County of Fairfax, Virginia, as of and for the year ended June 30, 2005, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major funds of the Authority as of June 30, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 15 and budgetary comparison schedules on pages 33 and 34 are not required parts of the financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

September 16, 2005

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

## **I. INTRODUCTION**

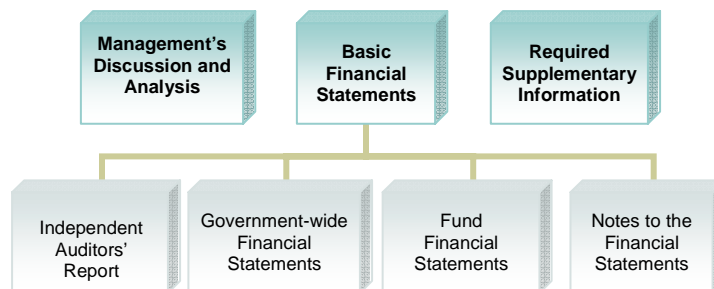
This section of the Fairfax County Park Authority's (the Authority) annual financial report presents a discussion and analysis of the Authority's financial performance during the fiscal year ended June 30, 2005. The intent of this discussion and analysis is to look at the Authority's fiscal year 2005 financial performance as a whole.

The Management's Discussion and Analysis (MD&A) presents information that will help the reader to ascertain and understand the reasons for changes in expenses, revenues, and net assets for the fiscal year ended June 30, 2005 and includes a comparative analysis for the fiscal year ended June 30, 2004.

## **II. OVERVIEW OF THE FINANCIAL STATEMENTS**

This financial report consists of three parts: management's discussion and analysis (this section), basic financial statements and notes to those statements, and required supplementary information. The financial statements are organized to provide an understanding of the fiscal performance of the Authority as a whole, followed by an increasingly detailed look at the Authority's specific financial activities.

### **Components of the Financial Report**



**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Authority in a manner similar to a private-sector business. The statement of net assets and the statement of activities are financial statements that provide information about the activities of the Authority as a whole, and present a long-term view of the Authority's finances. These statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The *Statement of Net Assets* presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The *Statement of Activities* presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements of the Authority have only one category of operations titled Governmental Activities. The Authority's services and programs are included here, such as golf courses, lake parks, recreation centers, cultural activities, park maintenance and general administration. The County provides an annual subsidy to the Authority through its General Fund to supplement fees charged for the services provided at the Authority's facilities.

The government-wide financial statements can be found on pages 16-17 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority uses governmental funds only.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

The fund financial statements utilize the current financial resources measurement focus and the modified accrual basis of accounting. Under modified accrual accounting, the fund recognizes revenues when they become available and measurable, and expenditures when the liability is incurred (if measurable), except for long-term debt and obligations which are recognized as they become due. Modified accrual accounting measures cash and all other financial assets that can be readily converted to cash, and as such, provides a more detailed short-term view of general operations. The fund financial statements can be found on pages 18-19 of this report.

**Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20-32 of this report.

**III. FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year 2005 are as follows:

- ◆ The assets of the Authority exceeded its liabilities by \$419,605,356. Of this amount, \$7,615,150 is unrestricted, \$21,615,243 is restricted for capital projects, \$839,655 is restricted for debt service and \$700,000 is restricted for repair and replacement.
- ◆ The Authority's governmental funds reported combined ending fund balances of \$40,637,300 a decrease of \$7,520,763 in comparison with the prior year. Of this total amount, \$11,570,513 or 28.5% is unreserved.
- ◆ The Authority renewed and fully paid off the note issued to the Fairfax County Integrated Sewer System for the Hunter Tracts for \$14,938,364 before the maturity date.

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**IV. FINANCIAL ANALYSIS OF THE GOVERNMENT –WIDE FINANCIAL STATEMENTS**

Net assets may serve as a useful indicator of an entity's financial position. The following table represents a summary of the net assets of the Authority at June 30, 2005 and 2004.

**Summary of Net Assets  
as of June 30**

<b>Assets</b>	<b>2005</b>	<b>2004</b>	<b>\$ Change</b>	<b>% Change</b>	
Current	\$ 49,987,337	56,791,387	(6,804,050)	(12.0)	%
Capital, net	409,962,516	386,358,113	23,604,403	6.1	
Other noncurrent	422,028	450,163	(28,135)	(6.2)	
Total assets	<u>460,371,881</u>	<u>443,599,663</u>	<u>16,772,218</u>	3.8	
<b>Liabilities</b>					
Other liabilities	9,582,697	9,059,330	523,367	5.8	
Long-term liabilities	31,183,828	46,265,450	(15,081,622)	(32.6)	
Total liabilities	<u>40,766,525</u>	<u>55,324,780</u>	<u>(14,558,255)</u>	(26.3)	
<b>Net assets</b>					
Invested in capital assets, net of related debt	388,835,308	358,542,958	30,292,350	8.4	
Restricted for:					
Certain capital projects	21,615,243	22,391,104	(775,861)	(3.5)	
Debt service	839,655	822,623	17,032	2.1	
Repair and replacement	700,000	700,000	0	-	
Unrestricted	7,615,150	5,818,198	1,796,952	30.9	
Total net assets	<u>\$ 419,605,356</u>	<u>388,274,883</u>	<u>31,330,473</u>	8.1	%

Note: See Notes to the Financial Statements

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**Analysis of Net Assets**

At the end of the current fiscal year, the Authority is able to report positive balances in all categories of net assets. Total net assets were \$419,605,356. Of this amount \$7,615,150 was unrestricted, \$22,454,898 was restricted for certain capital projects and debt service, and \$700,000 was restricted for repair and replacement. This is a cumulative amount representing the accumulated results of all past years' operations.

The largest portion of the Authority's net assets, nearly 92.7%, reflects its investment of \$388,835,308 in capital assets (i.e., land, buildings and equipment) less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Authority's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated for these liabilities.

The Authority's overall net assets have increased by \$31,330,473 or 8.1%, during fiscal year 2005. Significant changes impacting the Authority's net assets are explained below, and are primarily a result of acquisition and completion of capital assets.

- ◆ Current Assets have decreased by \$6,804,050 or 12.0%, primarily due to expenditures incurred for the Laurel Hill Golf Club project
- ◆ Capital Assets, net of depreciation, have increased by \$23,604,403 or by 6.1% primarily due to the development of Cub Run (West County) Recreation Center and Laurel Hill Golf Club
- ◆ Liabilities have decreased by \$14,558,255 or 26.3%, primarily due to the liquidation of the note payable to the Fairfax County Integrated Sewer System for the Hunter Tracts for the principal amount of \$14,938,364 prior to its maturity date of July 31, 2005

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

The results of this fiscal year's operations as a whole are reported in the statement of activities. The table below summarizes the changes in net assets for the fiscal years ended June 30, 2005 and 2004.

**Summary of Changes in Net Assets**  
**For the Fiscal Years Ended June 30**

<b>Revenues:</b>	<b>2005</b>	<b>2004</b>	<b>\$ Change</b>	<b>% Change</b>
Program revenues:				
Charges for services	\$ 30,544,336	29,405,071	1,139,265	3.9 %
Capital grants and contributions	176,909	538,743	(361,834)	(67.2)
General revenues:				
Intergovernmental	62,967,795	61,387,610	1,580,185	2.6
Investment earnings	502,119	280,882	221,237	78.8
Operating grants not restricted to specific programs	240,740	310,370	(69,630)	(22.4)
Capital contributions not restricted to specific programs	6,367,693	3,795,552	2,572,141	67.8
Total revenues	<u>100,799,592</u>	<u>95,718,228</u>	<u>5,081,364</u>	5.3
<b>Expenses:</b>				
Administration	9,538,435	8,030,321	1,508,114	18.8
Maintenance	16,807,101	14,498,402	2,308,699	15.9
Golf courses	7,193,198	6,865,349	327,849	4.8
Recreation centers	19,028,313	17,373,627	1,654,686	9.5
Lake parks	4,300,738	4,178,222	122,516	2.9
Other leisure services	3,776,913	3,643,022	133,891	3.7
Cultural enrichment	7,434,966	6,895,722	539,244	7.8
Interest on long-term debt	1,389,455	1,461,405	(71,950)	(4.9)
Total expenses	<u>69,469,119</u>	<u>62,946,070</u>	<u>6,523,049</u>	10.4
Increase in net assets	31,330,473	32,772,158	(1,441,685)	(4.4)
Net Assets- Beginning	<u>388,274,883</u>	<u>355,502,725</u>	<u>32,772,158</u>	9.2
Net Assets- Ending	<u>\$ 419,605,356</u>	<u>388,274,883</u>	<u>31,330,473</u>	8.1 %

Note: See Notes to Financial Statements



**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**Analysis of Changes in Net Assets**

The statement of activities presents the Authority's revenues and expenses in a programmatic format. For each program, it presents gross expenses, offsetting program revenues and the resulting net cost of each program or activity. A large portion of the Authority's revenues are *general*, that is, not associated with any specific program or activity.

**Revenues**

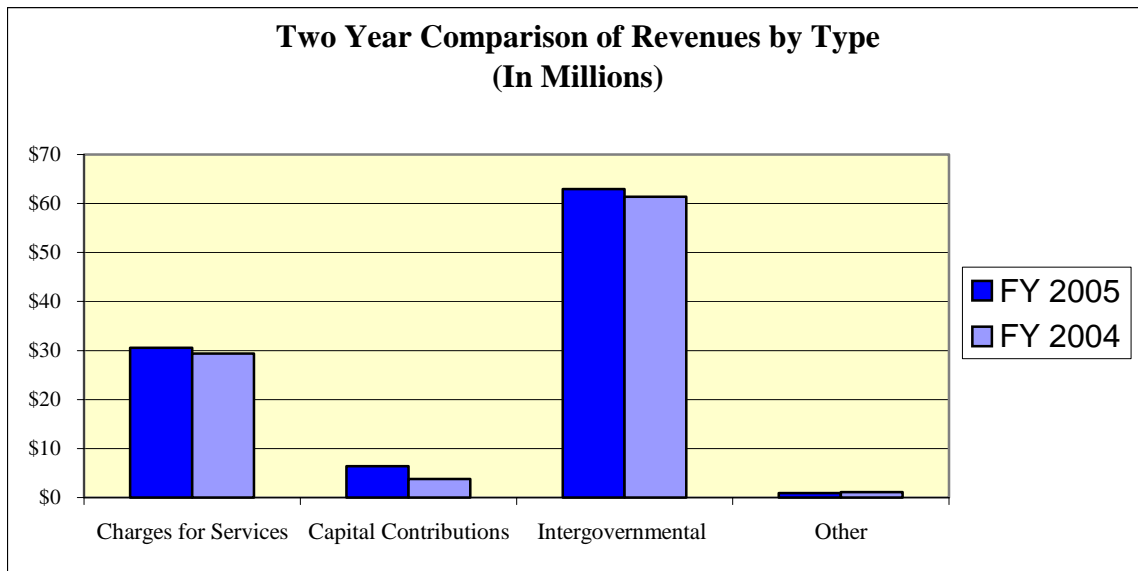
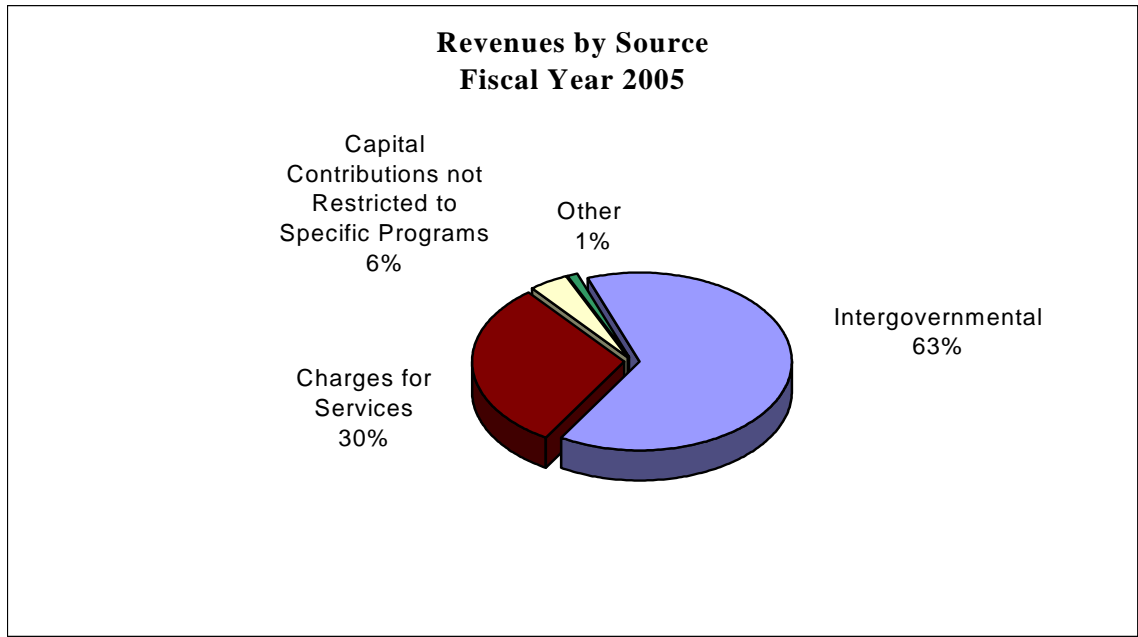
For fiscal year 2005, operating revenues from governmental activities totaled \$100,799,592 of which \$62,967,795 was intergovernmental revenues transferred directly from the County and \$30,544,336 was from charges for services. The remaining revenues stemmed from miscellaneous revenues, gifts and donations, and interest on pooled investments with the County.

In fiscal year 2005, the Authority's overall revenues increased from fiscal year 2004 levels by approximately \$5.1 million, or 5.3%. The reasons for changes in major revenues include the following:

- ◆ Program revenue includes service charges to County and Non-County users. Charges for services increased by \$1,139,265, or 3.9%, due to increased visitation at the Recreation Centers and the opening of Cub Run Recreation Center in May 2005.
- ◆ Capital grants and contributions decreased \$361,834 or 67.2 % due to decrease in proffer contributions and changes in development patterns in the County and due to reclassifications.
- ◆ Investment earnings increased by \$221,237 or 78.8% from an increase in the investment funds held by the fiscal agent as well as unspent general obligation bond dollars.
- ◆ Operating grants not restricted to specific programs decreased by \$69,630 or 22.4% due to a decrease in grants received.
- ◆ Capital contributions not restricted to specific programs increased by \$2,572,141 or 67.8% primarily due to an increase in land and capital asset donations from the County Board of Supervisors.

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

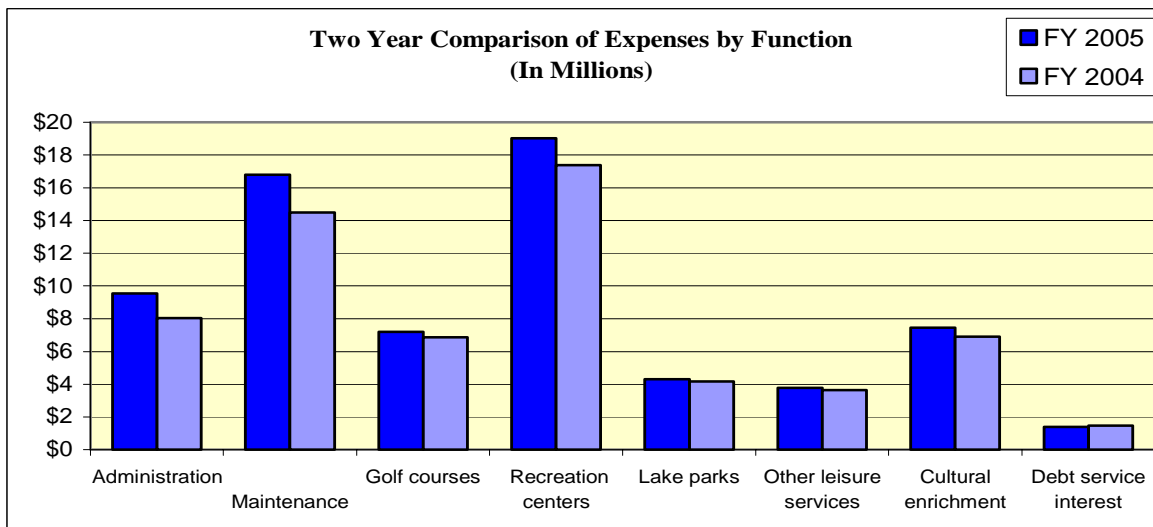
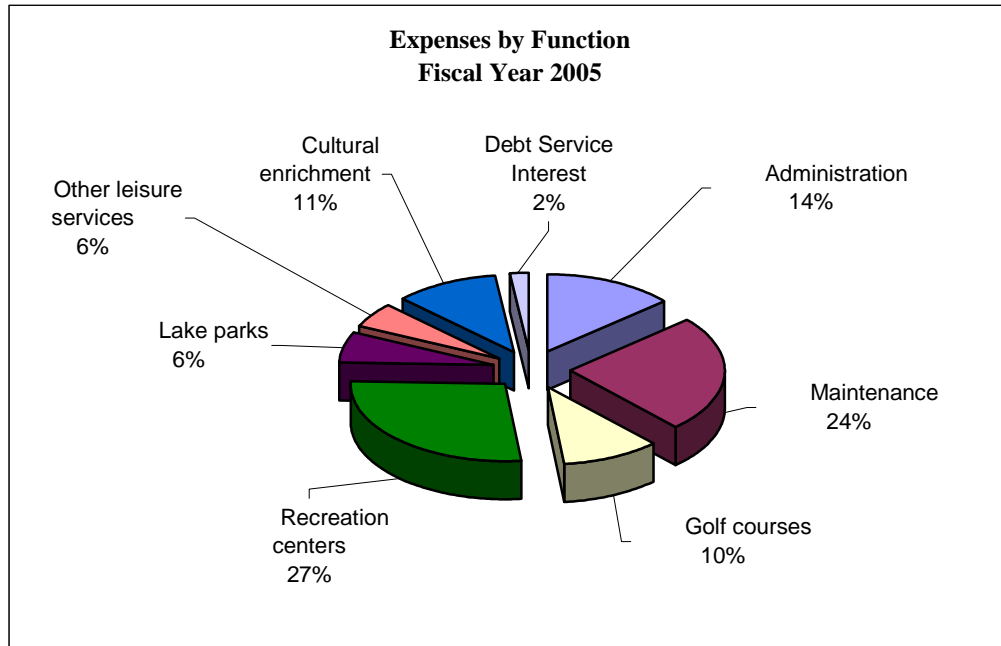
The following graphics illustrate the Authority's major sources of revenues. The Authority receives most of its funding from the County of Fairfax, Virginia (County).



**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
 Management's Discussion and Analysis  
 For the Fiscal Year Ended June 30, 2005

**Expenses**

For the fiscal year ended June 30, 2005, expenses for governmental activities totaled \$69,469,119. The Authority's overall expenses have increased by 10.4% from fiscal year 2004. The following graphics show the Authority's major expenses by function.



**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**V. MAJOR FUND HIGHLIGHTS**

The Authority considers all of its funds to be major. Each fund uses the modified accrual basis of accounting and the current financial resources measurement focus. The fund amounts have been aggregated for fiscal years 2005 and 2004 for the purpose of this analysis.

	Financed from County General Fund	Park Revenue Fund	Financed from County Construction Fund	Park Construction Bond Fund	Park Capital Improvement Fund	Total Governmental Funds
Fund balances, June 30, 2003	\$ -	405,183	-	12,612,963	25,955,237	38,973,383
Change in accounting principle	-	-	-	-	2,994,768	2,994,768
Fund balance, restated	-	405,183	-	12,612,963	28,950,005	41,968,151
Revenues	27,232,426	27,096,705	5,619,027	31,130,000	2,728,368	93,806,526
Expenditures	(27,232,426)	(25,791,799)	(5,619,027)	(23,495,845)	(5,477,517)	(87,616,614)
Fund balances, June 30, 2004	-	1,710,089	-	20,247,118	26,200,856	48,158,063
Revenues	29,436,630	43,483,895	6,592,603	13,920,000	2,191,625	95,624,753
Expenditures	(29,436,630)	(43,084,522)	(6,592,603)	(13,958,589)	(10,073,172)	(103,145,516)
Other financing sources (uses)	-	(900,000)	-	-	900,000	-
Fund balances, June 30, 2005	\$ -	1,209,462	-	20,208,529	19,219,309	40,637,300

At the end of the current fiscal year, the Authority's governmental funds reported a combined fund balance of \$40,637,300, a decrease of \$7,520,763 in comparison with the prior year. This change was primarily due to the capital expenditures incurred for the development of Laurel Hill Golf Club.

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**VI. CAPITAL ASSETS**

The Authority's investment in capital assets includes land, buildings, improvements, equipment, and construction in progress, which are detailed as follows (net of accumulated depreciation):

	June 30, 2005	June 30, 2004
Land	\$ 266,283,546	\$ 260,269,825
Buildings and improvements	115,622,476	90,811,692
Equipment	2,399,634	2,146,050
Construction in progress	25,656,860	33,130,546
Total	<u>\$ 409,962,516</u>	<u>\$ 386,358,113</u>

Major capital asset events during fiscal year 2005 included the following:

- ◆ Land increased to \$266,283,546, a net increase of \$6,013,721. This increase was primarily due to various land transfers by the County Board of Supervisors and includes a \$3,255,000 transfer of land in Bull Run stream valley, Sully District.
- ◆ Construction in progress decreased to \$25,656,860, a decrease of \$7,473,686. This was primarily due to the completion of the Cub Run Recreation Center.
- ◆ At June 30, 2005, the Authority had contractual commitments in the Park General Fund, Financed from County Construction Fund, Park Construction Bond Fund, and Park Capital Improvement Fund of \$19,400; \$198,859; \$9,640,099 and \$684,510 respectively, primarily for construction of various projects.

Additional information on the Authority's capital assets can be found in the notes to the financial statements.



**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**VII. DEBT ADMINISTRATION**

The following table summarizes the Authority's gross debt outstanding, as reported in the statement of net assets:

	June 30, 2005	June 30, 2004
Revenue bonds payable	\$ 12,145,000	\$ 12,700,000
Revenue notes payable	-	14,735,928
Loan payable	15,530,000	15,530,000
Total outstanding debt	<u>\$ 27,675,000</u>	<u>\$ 42,965,928</u>

Revenue Bonds

On September 15, 2001, the Authority issued \$13,015,000 of Park Facilities Revenue Refunding Bonds, Series 2001. The bonds were issued to defease and refund in advance of their stated maturities, the Authority's outstanding revenue bonds, Series 1995; and pay the guaranty insurance premiums, underwriting fees and other issuance costs for such bonds. The Authority paid \$555,000 of bond principal during fiscal year 2005. All Series 1995 bonds were paid as of August 2003, allowing the release of \$250,000 supplemental debt service reserve.

Loan Payable to the County

On June 24, 2003 the Authority entered into a long-term loan agreement with the County in the amount of \$15,530,000. The purpose of the loan is to provide funds to finance the costs of the development and construction of a public golf course to be located in the Laurel Hill area of the southern part of Fairfax County.

Notes Payable to Fairfax County Integrated Sewer System (ISS):

On July 31, 2003, the Authority renewed the revenue anticipation note issued to the ISS on July 31, 2002. The new principal amount was \$14,735,928. This note accrues interest at a rate of 1.37%. The total accrued interest was \$202,436, which was paid on the maturity date, July 31, 2004.

On July 31, 2004, the Authority renewed the revenue anticipation note issued to the ISS on July 31, 2003. The new principal amount was \$14,938,364. This renewed note accrued interest at the rate of 2.35%. In fiscal year 2005, the total accrued interest of \$90,867 and the new principal amount were paid in two installments. The first principal and interest payment was made in October 2004 for \$7,996,140 and \$41,700, respectively, and the second, final payment was made in February 2005 for the remaining principal and interest of \$6,942,224 and \$49,167.

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

## **VIII. GENERAL BUDGET HIGHLIGHTS**

The original and final budgeted amounts are shown in the Budgetary Comparison Schedules on pages 33-34. Revisions that alter the total appropriations of the budgets must be approved by the County Board of Supervisors.

### **Park General Fund:**

The Authority's total General Fund revenue and expenditure appropriation increased from the original Adopted Budget Plan level for fiscal year 2005 by \$13,000 due to carryover of encumbrances at year end. Actual revenues and expenditures for fiscal year 2005 were \$91,102 below the Revised Budget due to the decline in enrollment in children's programs.

### **Park Revenue Fund:**

The Authority made supplemental budgetary appropriation changes resulting in a net decrease to revenue as a result of lower growth rate assumptions for the year, due to cold and wet weather conditions in the early part of the fiscal year. Revenues were lower than projected due to the delay in the opening of Cub Run Recreation Center. Expenditures were \$849,004 lower than the budget primarily due to the controls on expenditures necessary to meet lowered revenue projections. Net Revenue appropriated for this fund was decreased by \$597,466, from \$786,219 in the 2005 Adopted Budget Plan to a Net Revenue target of \$188,753. Actual Net Revenue for this fund was \$864,517 on the budgeted statements which reflect cash basis. The difference between budget figures and the financial report is the impact of deferred revenue which was \$470,205 for FY 2005. In addition, appropriation was received from the County to pay off, in full, the outstanding note for Hunter Tract in this fiscal year.

## **IX. ECONOMIC FACTORS FACING THE AUTHORITY**

With the revenue funded debt development of the Laurel Hill Golf Club, the Authority's fee supported operations have become a more critical part of the Authority's mission. In addition to recovering operating expenses, which are able to increase or decrease with service demands, the Authority must generate sufficient net revenues to finance annual principal and interest debt payments. Economic indicators for jobs, unemployment and population within Fairfax County continue to remain strong. The rising cost of gasoline and resulting increase in cost of travel may have the impact of motivating County residents to play and recreate close to home. The Authority completed a service and facility needs assessment which served as a basis for the 2004 General Obligation Bond approved by the voters. This assessment is also the foundation for the 2004-2005 Capital Improvement Plan.

## **X. FAIRFAX COUNTY PARK AUTHORITY GOLD MEDAL RECIPIENT**

The National Sporting Goods Association's Sports Foundation named the Fairfax County Park Authority its 2002 National Gold Medal Award winner in ceremonies held October 20, 2002 in Tampa, Florida. The award is presented annually to communities throughout the United States for excellence in park and recreation administration, in cooperation with the National Recreation and Park Association (NRPA). The receipt of the prestigious Gold Medal Award is considered the highest honor in the field of parks and recreation in the country. Award recipients are eligible to apply to win every five years.

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Management's Discussion and Analysis  
For the Fiscal Year Ended June 30, 2005

**XI. CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide a general overview of the financial condition of the Fairfax County Park Authority. If you have questions about the report or need additional financial information, please contact the Financial Management Branch, Fairfax County Park Authority, 12055 Government Center Parkway, Suite 927, Fairfax, Virginia 22035.

**FAIRFAX COUNTY PARK AUTHORITY****Exhibit A****A Component Unit of the County of Fairfax, Virginia****Statement of Net Assets****June 30, 2005**

	Governmental Activities
<b>ASSETS</b>	
Equity in pooled cash and temporary investments	\$ 18,683,747
Receivables:	
Accounts	25,967
Accrued interest	53,813
Due from County of Fairfax	1,653,078
Restricted assets:	
Equity in pooled cash and temporary investments	22,315,243
Investments	7,255,489
Capital assets:	
Non-depreciable:	
Land	266,283,546
Construction in progress	25,656,860
Depreciable:	
Building and improvements	218,218,834
Equipment	13,174,728
Accumulated depreciation	(113,371,452)
Other noncurrent assets:	
Deferred bond issuance costs	422,028
Total assets	460,371,881
<b>LIABILITIES</b>	
Accounts payable and other accrued liabilities	1,940,571
Accrued salaries and benefits	2,502,777
Due to the County of Fairfax	178,895
Contract retainages	999,256
Deferred revenue	3,604,498
Performance and other deposits	124,040
Accrued interest payable	232,660
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	2,556,607
Bonds payable	570,000
Discount on bonds payable	(5,217)
Deferred amount on refunding	(49,743)
Portion due or payable after one year:	
Compensated absences payable	1,776,626
Loan payable	15,530,000
Bonds payable	11,575,000
Discount on bonds payable	(73,047)
Deferred amount on refunding	(696,398)
Total liabilities	40,766,525
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	388,835,308
Restricted for:	
Certain capital projects	21,615,243
Debt service	839,655
Repair and replacement	700,000
Unrestricted	7,615,150
Total net assets	\$ 419,605,356

See accompanying notes to the financial statements.

**FAIRFAX COUNTY PARK AUTHORITY****Exhibit A-1****A Component Unit of the County of Fairfax, Virginia****Statement of Activities****For the fiscal year ended June 30, 2005**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>
		<b>Charges for services</b>	<b>Capital grants and contributions</b>	<b>Governmental activities</b>
Governmental activities:				
Administration	\$ 9,538,435	910,676	103,420	(8,524,339)
Maintenance	16,807,101	-	-	(16,807,101)
Golf courses	7,193,198	7,702,364	52,217	561,383
Recreation centers	19,028,313	15,824,626	3,732	(3,199,955)
Lake parks	4,300,738	2,467,875	-	(1,832,863)
Other leisure services	3,776,913	2,455,045	-	(1,321,868)
Cultural enrichment	7,434,966	1,183,750	17,540	(6,233,676)
Interest on long-term debt	1,389,455	-	-	(1,389,455)
Total governmental activities	\$ 69,469,119	30,544,336	176,909	(38,747,874)

## General revenues:

Intergovernmental	\$ 62,967,795
Investment earnings	502,119
Operating grants not restricted to specific programs	240,740
Capital contributions not restricted to specific programs	6,367,693
Total general revenues	70,078,347
Change in net assets	31,330,473
Net assets, June 30, 2004	388,274,883
Net assets, June 30, 2005	\$ 419,605,356

See accompanying notes to the financial statements.



**FAIRFAX COUNTY PARK AUTHORITY**
**Exhibit B**
**A Component Unit of the County of Fairfax, Virginia**
**Balance Sheet - Governmental Funds**
**June 30, 2005**

	Financed from County General Fund	Park Revenue Fund	Financed from County Construction Fund	Park Construction Bond	Park Capital Improvement	Total Governmental Funds
<b>ASSETS</b>						
Equity in pooled cash and temporary investments	\$ -	4,652,576	-	-	14,031,171	18,683,747
Receivables:						
Accounts	-	25,967	-	-	-	25,967
Accrued interest	-	9,236	-	-	44,577	53,813
Due from County of Fairfax	1,468,040	-	185,038	-	-	1,653,078
Restricted assets:						
Equity in pooled cash and temporary investments	-	-	-	21,615,243	700,000	22,315,243
Investments	-	1,910,463	-	-	5,345,026	7,255,489
Total assets	\$ 1,468,040	6,598,242	185,038	21,615,243	20,120,774	49,987,337
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued liabilities	\$ 93,407	364,666	108,048	901,348	473,102	1,940,571
Accrued salaries and benefits	1,374,633	1,128,144	-	-	-	2,502,777
Due to County of Fairfax	-	178,895	-	-	-	178,895
Contract retainages	-	-	76,990	505,366	416,900	999,256
Deferred revenue	-	3,604,498	-	-	-	3,604,498
Performance and other deposits	-	112,577	-	-	11,463	124,040
Total liabilities	1,468,040	5,388,780	185,038	1,406,714	901,465	9,350,037
Fund balances:						
Reserved for:						
Encumbrances	19,400	-	198,859	9,640,099	684,510	10,542,868
Certain capital projects	-	-	-	10,568,430	5,345,026	15,913,456
Debt service	-	1,910,463	-	-	-	1,910,463
Repair and replacement	-	-	-	-	700,000	700,000
Unreserved (deficit)	(19,400)	(701,001)	(198,859)	-	12,489,773	11,570,513
Total fund balances	-	1,209,462	-	20,208,529	19,219,309	40,637,300
Total liabilities and fund balances	\$ 1,468,040	6,598,242	185,038	21,615,243	20,120,774	49,987,337

**Reconciliation of the Balance Sheet to the Statement of Net Assets**

Fund balance - Total governmental funds \$ 40,637,300

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$523,333,968 and the accumulated depreciation is \$113,371,452. 409,962,516

Deferred bond issuance costs reported in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 422,028

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds:

Accrued interest payable	\$ (232,660)	
Compensated absences payable	(4,333,233)	
Loan payable	(15,530,000)	
Bonds payable	(12,145,000)	
Bonds payable discount	78,264	
Deferred amount on refunding	746,141	(31,416,488)

Net assets of governmental activities \$ 419,605,356

See accompany notes to the financial statements.

## FAIRFAX COUNTY PARK AUTHORITY

Exhibit B-1

A Component Unit of the County of Fairfax, Virginia

## Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

For the fiscal year ended June 30, 2005

	Financed from County General Fund	Park Revenue Fund	Financed from County Construction Fund	Park Construction Bond	Park Capital Improvement	Total Governmental Funds
<b>REVENUES</b>						
Intergovernmental	\$ 26,981,585	15,032,963	6,571,979	13,920,000	582,540	63,089,067
Charges for services	2,455,045	25,938,433	20,624	-	4,673	28,418,775
Revenue from the use of money and property	-	2,106,032	-	-	695,414	2,801,446
Gifts, donations, and contributions	-	240,740	-	-	906,830	1,147,570
Other	-	165,727	-	-	2,168	167,895
Total revenues	29,436,630	43,483,895	6,592,603	13,920,000	2,191,625	95,624,753
<b>EXPENDITURES</b>						
Current:						
Administration	7,373,852	1,011,978	-	756,206	169,990	9,312,026
Maintenance	10,555,481	-	4,575,508	870	-	15,131,859
Golf Courses	-	6,227,479	-	-	1,962	6,229,441
Recreation Centers	-	16,572,931	-	71,924	1,000	16,645,855
Lake Parks	2,158,446	1,836,546	-	-	3,463	3,998,455
Other leisure services	3,045,694	-	-	-	-	3,045,694
Cultural enrichment	6,063,157	1,049,204	-	42,532	7,017	7,161,910
Capital outlay	240,000	283,112	2,017,095	13,087,057	9,202,377	24,829,641
Debt service:						
Principal retirement	-	15,493,364	-	-	-	15,493,364
Interest and other charges	-	609,908	-	-	687,363	1,297,271
Total expenditures	29,436,630	43,084,522	6,592,603	13,958,589	10,073,172	103,145,516
<b>Excess (deficiency) of revenues over (under) expenditures</b>	-	399,373	-	(38,589)	(7,881,547)	(7,520,763)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	-	900,000	900,000
Transfers Out	-	(900,000)	-	-	-	(900,000)
Revenue notes issued	-	14,938,364	-	-	-	14,938,364
Retirement of revenue note	-	(14,938,364)	-	-	-	(14,938,364)
Total other financing sources (uses)	-	(900,000)	-	-	900,000	-
Net change in fund balances	-	(500,627)	-	(38,589)	(6,981,547)	(7,520,763)
Fund balances, June 30, 2004	-	1,710,089	-	20,247,118	26,200,856	48,158,063
Fund balances, June 30, 2005	\$ -	1,209,462	-	20,208,529	19,219,309	40,637,300

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

Net change in fund balances - Total governmental funds \$ (7,520,763)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital Outlay	\$ 24,829,641	
Depreciation expense	(6,418,517)	18,411,124

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources. 5,195,495

In the statement of activities, the loss on the disposition of capital assets is reported. However, in the governmental funds, only the proceeds from sales are reported, which increase fund balance. Thus, the difference is the depreciated cost of the capital assets disposed. (2,216)

Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. In addition, proceeds from the issuance of long-term debt are reported as financing sources in the governmental funds and, thus, increase fund balances.

Principal payments of bonds	\$ 555,000	
Principal payment of revenue note	14,938,364	
Proceeds from issuance of revenue note	(14,938,364)	
Retirement of revenue note	14,938,364	15,493,364

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$ (154,347)	
Interest Expense and Amortization Bond issuance co	(92,184)	(246,531)

Change in net assets of governmental activities	\$ 31,330,473
---	---------------

See accompanying notes to the financial statements.

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Notes to the Financial Statements  
For the Fiscal Year Ended June 30, 2005

**(1) Financial Reporting Entity**

The Fairfax County Park Authority (the Authority), through appropriations from the County of Fairfax, Virginia (the County) and operating revenues, maintains and operates the public parks and recreational facilities located in the County. The Authority was originally created by the Board of Supervisors (the Board) of the County on December 6, 1950, to continue in existence for 30 years unless the Board provided for an earlier termination. Its existence however, may not be terminated while any obligation incurred by the Authority remains binding unless the Board agrees to assume such obligations. The Board approved three interim extensions of the life of the Authority between 1981 and 1991. On October 28, 1991, the Board extended the life of the Authority for a period of 30 years, until October 28, 2021.

The County's Board of Supervisors appoints the Board members of the Authority and a substantial portion of the Authority's operations are financed by the County. Therefore, the Authority is considered a component unit of the County. The Authority has no component units.

**(2) Summary of Significant Accounting Policies**

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the Authority's more significant accounting policies:

**(a) Basis of Presentation – Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide (based on the Authority as a whole) and fund financial statements. The focus is on both the Authority as a whole and the fund financial statements, including the major individual funds of the governmental type categories. The Authority categorizes its primary activities solely as governmental activities. In the government-wide statement of net assets, the governmental type activities are reported using the economic resources measurement focus and the full accrual basis of accounting that incorporate long-term assets and long-term obligations. The government-wide statement of activities reflects both the gross and net cost per functional category. The statement of activities reduces gross expenses, including depreciation, by related program and general revenues.

In the fund financial statements, financial transactions and accounts of the Authority are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements'

governmental activities column, reconciliations are presented to explain the adjustments necessary to reconcile the fund financial statements to the governmental activities of the government-wide statements.

**(b) Measurement Focus and Basis of Accounting**

The basis of accounting determines when transactions are reported on the financial statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions where the Authority either gives or receives value without directly receiving or giving equal value in exchange include grants and donations. Revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Program revenues consist primarily of charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function such as recreational classes, tours, golf lessons and green fees, and camps.

Governmental funds use the flow of current financial resources measurement focus. This focus is based on the determination of, and changes in, financial position, and generally only current assets and current liabilities are included on the balance sheet. These funds use the modified accrual basis of accounting, whereby revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Available means collectible within the current period or within 45 days after fiscal year end. The Authority recognizes revenues provided by appropriations from the County, for the General Fund which is financed from County General Fund and Capital Project Fund which is financed from County Construction Fund, when the expenditures funded by such appropriations are incurred. Expenditures are recorded when the related liability is incurred and payment is due, except for principal and interest on long-term debt which are recorded only when payment is due.

The Authority considers all its funds to be major and reports the following funds:

*General Fund:*

*Financed from County General Fund* – This is the primary operating fund of the Authority. This fund is used to account for all financial transactions and resources except those required to be accounted for in other funds. This fund accounts for the operations of the park facilities that are financed by the County.

*Special Revenue Fund:*

*Park Revenue Fund* - This fund accounts for the operations of the park facilities that are financed from park operating revenues.

*Capital Projects Funds:*

*Financed from County Construction Fund* - This fund accounts for specific park construction and maintenance projects related to park facilities that are financed from the County Construction Fund. No annual operating budget is prepared for this fund as it is budgeted as part of the County's Capital Construction Program.

*Park Construction Bond Fund* - This fund accounts for construction projects and capital improvements of the Authority that are financed primarily by County general obligation bond proceeds. The County bond obligations are not included within the Authority's financial

statements as they are included in the County's government-wide Statement of Net Assets. The County is responsible for paying all debt service on these bonds. No annual operating budget is prepared for this fund.

*Park Capital Improvement Fund* - This fund accounts for construction projects and capital improvements of the Authority that are financed primarily by property rentals, developers' contributions and transfers from the Park Revenue Fund. No annual operating budget is prepared for this fund.

**(c) Equity in Pooled Cash and Temporary Investments**

The Authority maintains its cash in the County treasury. At June 30, 2005, \$40,998,990 of the Authority's cash was held in the County's cash and investment pool. The County invests cash in temporary investments consisting of money market investments that have a remaining maturity at the time of purchase of one year or less and are reported at amortized cost, which approximates fair value. The County allocates the interest earned on a monthly basis to the individual funds based on each fund's average daily balance of equity in pooled cash, except for the capital projects fund financed by County general obligation bonds. Interest earned on the assets of that fund, the Park Bond Construction Fund, is allocated directly to the County's General Fund because debt service is funded by the County's General Fund.

The Authority and the County implemented GASB 40 – Deposit and Investment Risk Disclosures, in FY 2005.

**(d) Investments**

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value. The Authority's investments are held in Fidelity Treasury Funds through money market accounts in Wachovia National Bank.

The Authority's available cash is invested in the County's cash and investment pool. The County maintains an investment policy, the overall objectives of which are the preservation of capital and the protection of investment principal; maintenance of sufficient liquidity to meet operating requirements; conformance with federal, state, and other legal requirements; diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions; and attainment of a market rate of return. Oversight of investment activity is the responsibility of the Investment Committee, which is comprised of the chief financial officer and certain key Authority management and investment staff.

Under the Virginia Investment of Public Funds Act, the Authority is authorized to purchase the following investments:

- Commercial paper
- Money market funds
- Bankers acceptances
- Repurchase agreements
- Medium term corporate notes
- Local government investment pool
- U.S. Treasury and agency securities
- Obligations of the Asian Development Bank



- Obligations of the African Development Bank
- Obligations of the International Bank for Reconstruction and Development
- Obligations of the Commonwealth of Virginia and its instrumentalities
- Obligations of counties, cities, towns, and other public bodies located within the Commonwealth of Virginia
- Obligations of state and local government units located within other states
- Savings accounts or time deposits in any bank or savings and loan association within the Commonwealth that complies with the Virginia Security for Public Deposits Act

However, the County's investment policy precludes the investment of pooled funds in derivative securities, reverse repurchase agreements, or security lending programs.

The Authority's investment in the pool is covered by the County's policy to minimize the risk that the market value of securities in its portfolio will fall due to changes in market interest rates. To achieve this minimization of risk, the County structures the pooled investment portfolio so that sufficient securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Pooled investments that are purchased to meet liquidity needs shall have a target weighted average maturity of 90 days. All other pooled funds are invested primarily in shorter-term securities, with a maximum maturity of one year.

It is also the County's policy to minimize the risk of loss due to the failure of an issuer or other counterparty to an investment to fulfill its obligations. The County pre-qualifies financial institutions, broker-dealers, intermediaries, and advisers with which the County does business. In addition, the pooled investments are limited to the safest types of securities and are diversified so that potential losses on individual securities will be minimized. Also, new investments shall not be made in securities that are listed on Moody's Investors Service, Inc. (Moody's) Watchlist or Standard & Poor's, Inc. (S&P) Credit Watch with a negative rating. The policy specifies the following acceptable credit ratings for specific types of investments in the pooled portfolio:

- U.S. government sponsored enterprise instruments shall be rated by both Moody's and S&P with a minimum rating of Prime 1 and A-1, respectively
- Prime quality commercial paper shall be as rated by at least two of the following: Moody's, with a minimum rating of Prime 1; S&P, with a minimum rating of A-1; Fitch Investor's Services, Inc. (Fitch), with a minimum rating of F-1; or by Duff and Phelps, Inc., with a minimum rating of D-1
- Mutual funds must have a rating of AA or better by S&P, Moody's, or another nationally recognized rating agency
- Bank deposit notes must have a rating of at least A-1 by S&P and P-1 by Moody's
- Banker's acceptances must have a rating by Fitch of at least B/C
- Corporate notes must have a rating of at least Aa by Moody's and a rating of at least AA by S&P

The County's investment policy sets the following limits for the types of securities held in its pooled investment portfolio:

Repurchase agreements and mutual funds	30%	maximum
Bank notes and banker's acceptances	40%	maximum
Commercial paper	35%	maximum
Corporate notes	25%	maximum

In addition, not more than 5% of the total pooled funds available for investment at the time of purchase may be invested in any one issuing or guaranteeing corporation for commercial paper, banker's acceptances, corporate notes, and bank notes. Also, the maximum amount of funds that may be placed in repurchase agreements with a single dealer shall be \$125 million.

For deposits, custodial credit risk is the risk that in the event of a failure of a depository financial institution, the reporting entity may not recover its deposits. In accordance with the Virginia Security for Public Deposits Act (Act), all of the County's deposits are covered by federal depository insurance or collateralized in accordance with the Act, which provides for the pooling of collateral pledged by financial institutions with the Treasurer of Virginia to secure public deposits as a class. No specific collateral can be identified as security for one public depositor, and public depositors are prohibited from holding collateral in their name as security for deposits. If any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of governmental entities. If the value of the pool's collateral is inadequate to cover a loss, additional amounts are assessed on a pro rata basis to the member of the pool. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirement of the Act and for notifying local government of compliance by participating financial institutions. A multiple financial institution collateral pool that provides for additional assessments is similar to depository insurance, therefore, funds deposited in accordance with the requirements of the Act are considered to be fully insured.

For investments, custodial credit risk is the risk that, in the event of the failure of a counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Per policy, all of the pooled investments purchased by the County are insured or registered or are securities held by the County or its agent in the County's name.

Additional information related to the interest rate risk and the credit risk, such as the weighted average maturity and credit quality ratings of investments, pertaining to the entire cash and investment pool can be found in the County's Comprehensive Annual Financial Report for fiscal year 2005.

Certain investments for the Authority are separately held by its fiscal agent, Wachovia Bank, N.A., in the Authority's name. These investments are held in Fidelity Treasury Funds through money market accounts and Federal Home Loan Mortgage Corporation (FHLMC) discounted notes. \$5,345,026 of these investments is restricted for the development and construction of the Laurel Hill Golf Course. \$1,910,463 of these investments is restricted for debt service requirements related to the Series 2001 Park Facilities Revenue Refunding Bonds. The Authority follows the County's investment policy with respect to acceptable credit ratings for its investments.

Money market investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost, which approximates fair value. The Authority's investments are summarized in the following table at carrying value as of June 30, 2005.

		As of June 30, 2005
Cash with Fiscal Agent:		
Money Market Funds	\$	3,274,500
Federal Home Loan Mortgage Corp.		3,980,989
	\$	<u>7,255,489</u>

As of June 30, 2005, the FHLMC discounted notes had a fair market value of \$4,000,000.

**(e) Restricted Assets**

Certain proceeds from revenue bonds have been restricted for future debt service payments, and the revenue bonds require a reserve for repair and replacement of certain capital assets. In addition, unspent proceeds from general obligation bonds issued by the County and unspent loan proceeds received from the County are restricted for use in capital improvements and for the Laurel Hill Golf Course project.

**(f) Capital Assets**

Capital assets, including land, buildings and improvements, equipment and construction in progress, are reported in the governmental activities column in the government-wide financial statements. Purchased property and equipment are recorded at historical cost or at estimated historical cost based on appraisals or on other acceptable methods when historical cost is not available. Donated capital assets are stated at their fair market value as of the date of donation. The Authority capitalizes all buildings, building improvements, and equipment that cost \$5,000 or more with useful lives of longer than one year.

Accumulated depreciation is reported as a reduction of depreciable capital assets. Depreciation is computed using the straight-line method based on estimated useful lives of 30 to 50 years for buildings; 5 to 15 years for equipment; and 10 to 30 years for improvements.

**(g) Compensated Absences**

Employees of the Authority are granted annual and sick leave based on their length of service, and may accrue compensatory leave for hours worked in excess of their scheduled hours. Unused annual and compensatory leave is payable to employees upon termination based on the employees' current rate of pay up to certain limits. Sick leave does not vest with the employee. The compensated absences liability in the government-wide statement of net assets is separated into current (expected to be paid within one year) and long-term (expected to be paid after one year). The amount expected to be paid within one year is an estimate based on historical usage.

**(h) Deferred Revenue**

The Authority receives proceeds for Park Services passes from patrons in advance of usage and refundable deposits from developers for future services. These amounts are unearned and reported as deferred revenue.

**(i) Long-Term Obligations**

For long-term liabilities, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Total capital assets of the Authority are the combined balances of land, building and improvements, and equipment reduced by accumulated depreciation. This total is further reduced by the Laurel Hill debt and the revenue bonds payable net of the required debt service reserve and is reported as Invested in capital assets, net of related debt on the Statement of Net Assets.

**(j) Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. These reservations of fund balance include reserve for encumbrances, reserve for certain capital projects, reserve for debt service and reserve for repair and replacement fund. Designations of unreserved fund balances represent tentative management plans that are subject to change.

Reserve for Encumbrances:

The Authority has encumbered a total of \$10,542,868 for commitments related to unperformed contracts for goods and services. These encumbrances are related primarily to construction projects in the Park Construction Bond Fund such as the construction of Laurel Hill Golf Course and trails and stream crossings.

Reserve for Certain Capital Projects:

Reserve for Certain Capital Projects consists of \$5,345,026 in the Park Capital Improvement Fund, received through a loan from the County for the Laurel Hill Golf Project and \$10,568,430 in Park Bonds in the Park Construction Bond Fund

Debt Service Reserve:

The Master Indenture of Park Facilities Revenue Bonds (Series 1995) and subsequent Park Facilities Refunding Bond (Series 2001) requires the Authority to establish Debt Service Reserves. A total of \$1,910,463 is reserved for debt service that includes prepayment of principal and interest on the 2001 Revenue Refunding Bonds by the Authority as detailed below:

Debt service reserve required by bond	\$ 1,070,808
Additional reserve for future debt payments	839,655
Total Reserve	\$ 1,910,463

Reserve for Repair and Replacement Fund:

The 2001 Bond Indenture requires the Authority to have a reserve accumulation sufficient to pay costs of major repairs, replacement and capital additions to certain facilities. The Authority is

required to maintain an amount determined by the Authority to be necessary in any fiscal year for repairs and replacements to these facilities plus \$500,000. Amounts on deposit in the reserve may also be used to pay debt service on the Bonds if necessary. The current balance in the Repair and Replacement Reserve is \$700,000.

**Designations of Unreserved Fund Balance:**

In January 1997, the Authority Board received \$1,306,555 from the E.C. Lawrence Trust. In accordance with the Authority Board resolution, \$1,275,000 is to remain in perpetuity with interest to be spent on the E. C. Lawrence Park. On June 12, 2002, the Authority Board took action to increase the portion of the fund held in perpetuity to \$1,507,926 which includes \$1,275,000 plus a portion of the accumulated interest. As of June 30, 2005, the unreserved fund balance of the Park Capital Improvement Fund includes a combined principal investment and interest amount of \$1,611,579 that has been designated for the E.C. Lawrence Park.

**(k) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**(l) Tax Status**

The Authority, as a local government authority, is not subject to federal, state, or local income taxes and accordingly, no provision for income taxes is recorded.

**(3) Detailed Notes on All Funds**

**(a) Due from County of Fairfax**

The Authority's revenues in certain funds consist of a transfer from the County to offset actual expenditures incurred during the fiscal year. Consistent with the Authority's funding mechanism, the amount due from the County is equal to the Authority's total outstanding liabilities in these funds on the modified accrual basis of accounting.

**(b) Interfund Transfers**

Interfund transfers are used to finance construction projects, capital purchases and capital improvements. The composition of interfund transfers as of June 30, 2005, is as follows:

Transfers in – Park Capital Improvement Fund	\$ 900,000
Transfer out – Park Revenue Fund	\$ (900,000)



**(c) Capital Assets**

The following is a summary of the changes in capital assets for fiscal year 2005:

	Balances			Balances	
	June 30, 2004	Increases	Decreases	June 30, 2005	
Capital assets, not being depreciated:					
Land	\$ 260,269,825	6,013,721	-	\$ 266,283,546	
Construction in progress	33,130,546	22,761,361	(30,235,047)	25,656,860	
Total capital assets, not being depreciated	293,400,371	28,775,082	(30,235,047)	291,940,406	
Capital assets, being depreciated:					
Building and improvements	187,940,343	30,278,491	-	218,218,834	
Equipment	12,340,458	1,206,610	(372,340)	13,174,728	
Total capital assets, being depreciated	200,280,801	31,485,101	(372,340)	231,393,562	
Less accumulated depreciation for:					
Building and improvements	(97,128,651)	(5,467,707)	-	(102,596,358)	
Equipment	(10,194,408)	(950,810)	370,124	(10,775,094)	
Total accumulated depreciation	(107,323,059)	(6,418,517)	370,124	(113,371,452)	
Total capital assets, being depreciated, net	92,957,742	25,066,584	(2,216)	118,022,110	
Total capital assets, net	\$ 386,358,113	53,841,666	(30,237,263)	\$ 409,962,516	

Depreciation was charged to governmental functions as follows:

Administration	\$ 219,667
Maintenance	1,644,717
Golf courses	947,531
Recreation centers	2,340,922
Lake parks	291,557
Other leisure services	724,788
Cultural enrichment	249,335
Total depreciation expense	\$ 6,418,517

**(d) Bonds, Notes and Loans Payable****Bonds Payable**

In February 1995, the Park Authority issued \$13,870,000 of Park Facilities Revenue Bonds, Series 1995 to fund the construction of additional golf facilities for County residents and patrons. On September 20, 2001, the Park Authority issued \$13,015,000 of Park Facilities Revenue Refunding Bonds, Series 2001 dated September 15, 2001, with an average interest rate of 4.36% to advance refund \$11,670,000 of the outstanding Series 1995 Bonds with an average interest rate of 6.62%. Proceeds of \$12,615,112 were used to purchase U.S. Government securities which were deposited in an irrevocable escrow fund to provide for the resources to redeem the Series 1995 Bonds on July 15, 2003. The reacquisition price exceeded the net carrying amount of the refunded bonds by \$945,112, and this amount is being amortized over the remaining life of the refunding bonds. These bonds are solely the obligations of the Park Authority and are payable from the Park

Revenue Fund's revenues from operations, earnings from investments, and certain fund balance reserves. The debt service requirements to maturity for the outstanding bonds are:

Fiscal Year	Interest Rate	Principal	Interest	Total
2006	3.10 %	\$ 570,000	498,788	\$ 1,068,788
2007	3.20	585,000	480,592	1,065,592
2008	3.40	605,000	460,948	1,065,948
2009	3.60	625,000	439,413	1,064,413
2010	3.75	650,000	415,976	1,065,976
2011-2015	4.00-4.40	3,625,000	1,668,628	5,293,628
2016-2020	4.40-4.75	4,465,000	786,599	5,251,599
2021	4.75	1,020,000	24,225	1,044,225
Totals		\$ 12,145,000	4,775,169	\$ 16,920,169

As set forth in the Park Facilities Revenue Refunding Bonds, Series 2001 covenant, the Authority is required to maintain reserves for major repairs and replacements and debt service, and to meet specific revenue levels. The Authority is in compliance with all bond covenants.

Note Payable to Fairfax County Integrated Sewer System (ISS):

On July 31, 2003, the Authority renewed the revenue note issued to the ISS on July 31, 2002. The new principal amount was \$14,735,928. This renewal note accrued interest at a rate of 1.37%. The total accrued interest was \$202,436 and was paid upon maturity on, July 31, 2004.

On July 31, 2004, the Authority renewed the revenue anticipation note issued to the ISS on July 31, 2003. The new principal amount was \$14,938,364. This renewed note accrued interest at the rate of 2.35%. In fiscal year 2005, the Authority prepaid the revenue anticipation note issued to the ISS in two installments, \$7,996,140 on October 13, 2004 and \$6,942,224 on February 7, 2005 for a total of \$14,938,364 at a redemption price of 100% together with the interest accrued thereon. The total accrued interest was \$90,867.

Loan Payable to the County of Fairfax

On June 24, 2003, the Authority entered into a long-term loan agreement with the County in the amount of \$15,530,000. The loan is to provide funds to finance the development and construction of a public golf course to be located in the Laurel Hill area of the southern part of the County.

The debt service requirements, to maturity, for the outstanding loan are:

Fiscal Year	Interest Rate		Principal	Interest	Total
2006	2.0 %	\$	-	687,362	687,362
2007	2.0		75,000	687,362	762,362
2008	2.25		80,000	685,863	765,863
2009	2.50		100,000	684,062	784,062
2010	3.00		125,000	681,562	806,562
2011-2015	3.00-5.00		1,070,000	3,316,213	4,386,213
2016-2020	5.0		2,135,000	2,957,063	5,092,063
2021-2025	5.00-4.25		3,610,000	2,290,738	5,900,738
2026-2030	4.25		4,880,000	1,373,813	6,253,813
2031-2033	4.25		3,455,000	297,712	3,752,712
Totals		\$	15,530,000	13,661,750	29,191,750

The following is a summary of changes in the government-wide long-term obligations of the Authority for fiscal year 2005:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Due within one year
Revenue bonds payable:					
Principal amount of bonds payable	\$ 12,700,000	-	555,000	12,145,000	570,000
Discount on bonds payable	(83,481)	-	(5,217)	(78,264)	(5,217)
Deferred amount on refundings	(795,883)	-	(49,742)	(746,141)	(49,743)
Revenue notes payable	14,735,928	14,938,364	29,674,292	-	-
Long-term loan payable	15,530,000	-	-	15,530,000	-
Compensated absences payable	4,178,886	2,623,387	2,469,040	4,333,233	2,556,607
Total	\$ 46,265,450	17,561,751	32,643,373	31,183,828	3,071,647

**(e) Commitments and Contingencies**

Various claims and lawsuits may arise in the ordinary course of business. In the opinion of legal counsel, there are no significant cases, claims, or assessments of any nature that are pending or threatened at June 30, 2005.

At June 30, 2005, the Authority had contractual commitments in the Financed from County General Fund, Financed from County Construction Fund, Park Construction Bond Fund, and Park Capital Improvement Fund of \$19,400, \$198,859, \$9,640,099, and \$684,510 respectively, primarily for construction of various projects.

**(4) Other Information**

**(a) Retirement Plans**

Employees of the Authority participate in the Fairfax County Employees' Retirement System (System), which covers substantially all County employees who are not members of the Virginia Retirement System or other County-funded retirement plans. The System is a cost-sharing multiple-employer defined benefit pension plan, and covers full-time and certain part-time employees. Employee contributions to the System for the year ended June 30, 2005, are either 4.00% or 5.33% of salary, depending on the plan selected by the employee. The County funds the remaining portion required to meet the funding requirements. The County paid \$1,052,791 during FY 2004 and \$1,576,434 during FY 2005 to fund the plan on behalf of the Authority. Data concerning the specific accumulated pension benefit liability and net assets available applicable to employees of the Authority are not available. Information concerning the System as a whole is available in the County's Comprehensive Annual Financial Report for fiscal year 2005. In addition, the Retirement System issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Fairfax County Employee's Retirement System, 10680 Main Street, Suite 280, Fairfax, VA 22030, or by calling (703) 279-8200.

**(b) Risk Management**

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and citizens, and natural disasters. For all of these risks, the Authority participates in the County's insurance program which includes self-insurance and the purchase of certain commercial insurance policies, and reports its share of the program's costs. There were no claims settlements in excess of insurance coverage in any of the past three fiscal years. Information regarding the County's insurance program is available in the County's Comprehensive Annual Financial Report for fiscal year 2005.

**(c) Post-employment Benefits**

The Authority participates in the County's program to subsidize the health benefit coverage of certain retirees and certain surviving spouses. In order to participate, retirees must have reached the age of 55 or be on disability retirement and must have health benefit coverage in a plan provided by the County. Retirees must have five years of service in order to participate in this program. Beginning in fiscal year 2004, the amount of monthly subsidy provided by the County is based on years of service and ranges from \$15 per month to \$175 per month. Retirees receiving the subsidy prior to fiscal year 2004 are grandfathered at \$100 per month unless their years of service entitle them to receive a higher monthly subsidy. The subsidy is funded on a pay-as-you-go basis.

In addition, the County Board of Supervisors has established a program to subsidize the continuation of term life insurance, at reduced coverage amounts, for retirees. Retirees generally pay for 50% of their coverage amounts at age-banded premium rates, with the County incurring the balance of the cost on a pay-as-you-go basis.

Data concerning the specific amounts paid applicable to former Authority personnel are not available. Information concerning each program as a whole is available in the County's Comprehensive Annual Financial Report for fiscal year 2005.

**(d) On-behalf Payments**

On-behalf payments for salaries and fringe benefits are direct payments made by one entity (the County) to a third-party recipient for the employees of another, legally separate entity (the Authority). On-behalf payments include salaries, pension plan contributions, employee health and life insurance premiums, and salary supplements. The County expended \$25,761,337 in on-behalf payments for the Authority for fiscal year 2005. This amount consisted of \$19,387,718 in salaries; \$2,470,277 in health, life, catastrophic loss and unemployment insurance premiums; \$1,401,729 in FICA; \$1,576,434 in pension plan contributions; \$653,140 in Workers Compensation premium payments; and \$272,039 in liability insurance premium payments. The Authority is not required to reimburse the County for these payments; therefore, the Authority recognized revenues and expenditures for the amounts paid on behalf of the Authority by the County General Fund.

**(e) Related Parties**

During fiscal year 2005, the Authority purchased, in the ordinary course of business, services from the County under a Memorandum of Understanding. These included office services, transportation, and communications. Also, a County-owned building serves as the Authority's administrative headquarters. No rent is charged to the Authority by the County.

---

**FAIRFAX COUNTY PARK AUTHORITY****A Component Unit of the County of Fairfax, Virginia****Budgetary Comparison Schedule - General Fund (Financed from County General Fund) (Budget Basis)****For the fiscal year ended June 30, 2005**

	Budgeted Amounts		Actual	Variance from Final Budget
	Original	Final	Amounts	Positive (Negative)
REVENUES				
Charges for services	\$ 2,843,407	2,569,579	2,455,045	(114,534)
Intergovernmental	20,297,707	20,584,535	20,607,967	23,432
Total revenues	23,141,114	23,154,114	23,063,012	(91,102)
EXPENDITURES				
Administration	5,238,991	5,451,991	5,730,967	(278,976)
Maintenance	8,899,597	8,699,597	8,567,617	131,980
Other leisure services	4,465,620	4,465,620	4,243,804	221,816
Cultural enrichment	4,536,906	4,536,906	4,520,624	16,282
Total expenditures	23,141,114	23,154,114	23,063,012	91,102
Net change in fund balance	\$ -	-	-	-

See accompanying notes to required supplementary information

**FAIRFAX COUNTY PARK AUTHORITY**

A Component Unit of the County of Fairfax, Virginia

**Budgetary Comparison Schedule - Park Revenue Fund (Budget Basis)**

For the fiscal year ended June 30, 2005

	Budgeted Amounts		Actual	Variance from Final Budget Positive (Negative)
	Original	Final	Amounts	
<b>REVENUES</b>				
Park Services:				
Charges for services	#####	19,368,277	26,408,638	7,040,361
Revenue from the use of money and property	10,290,646	9,358,503	2,109,765	(7,248,738)
Gifts and donations	160,000	160,000	240,740	80,740
Other	617,015	179,562	165,726	(13,836)
Total revenues	32,221,980	29,066,342	28,924,869	(141,473)
<b>EXPENDITURES</b>				
Administration	2,300,209	17,341,617	17,113,401	228,216
Golf courses	7,413,006	6,659,974	6,418,307	241,667
Recreation centers	20,589,517	18,772,200	18,473,280	298,920
Cultural enrichment	1,133,029	1,133,029	1,077,685	55,344
Total expenditures	31,435,761	43,906,820	43,082,673	824,147
Excess of revenues over expenditures	786,219	(14,840,478)	(14,157,804)	682,674
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In from County		15,029,231	15,029,231	-
Transfers Out		(900,000)	(900,000)	-
Total other financing sources (uses)	-	14,129,231	14,129,231	-
Net change in fund balance	\$ 786,219	(711,247)	(28,573)	682,674

See accompanying notes to required supplementary information

**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2005

***Budget Data***

The Authority's budgets are formulated using the following procedures:

The Authority submits to the County Board of Supervisors proposed operating and capital budgets that have been approved by the Authority's Board for the forth-coming fiscal year.

The budgets are legally enacted through passage of an ordinance by the County Board of Supervisors, as part of the County's budget adoption process. The legal level of budgetary control is exercised at the fund level, and the administrative controls are exercised at the character level, the coding level that classifies a financial transaction by broad objective or purpose.

Annual operating budgets are adopted for all appropriated governmental funds, except for the capital projects funds in which budgetary control is achieved on a project-by-project basis. All unexpended appropriations lapse at year-end. The budgets are on a basis consistent with GAAP for all governmental funds except that:

- deferred revenue for unused park passes is not recognized for budgetary purposes in the Park Revenue Fund;
- certain offsetting on-behalf payments made by the County's General Fund are excluded from revenues and expenditures for budgetary purposes in the Financed from County General Fund; and
- debt service and capital outlays in the Financed from County General Fund and Park Revenue Fund are budgeted as functional expenditures.

The Lake Parks function is budgeted with the Maintenance function in the Financed from County General Fund and in the Recreation Centers function in the Park Revenue Fund.

The following schedule reconciles the amounts on the Budgetary Comparison Schedule – General Fund (Financed from County General Fund) (Budget Basis) and Park Revenue Fund (Budget Basis) to the amounts on the Statement of Revenues, Expenditures and Changes in Fund Balances.



**Fairfax County Park Authority**  
**A Component Unit of the County of Fairfax, Virginia**  
Notes to the Required Supplementary Information  
For the Fiscal Year Ended June 30, 2005

	General Fund (Financed from County General Fund)	Park Revenue Fund
Actual Revenue (Budget basis)	\$ 23,063,012	\$ 28,924,869
Basis differences:		
- Revenue from unused golf passes are recognized as deferred revenue per GAAP		(470,205)
- Transfer in from County Construction Bond is recorded as Intergovernmental Revenue per GAAP		15,029,231
Perspective difference:		
- Certain on-behalf payments made by County are not budgeted, as they are an expenditure of the County, but must be recorded as a revenue and expenditure by the Authority under GAAP	6,373,618	
Actual Revenue (GAAP basis)	\$ 29,436,630	\$ 43,483,895
Actual Expenditure (Budget basis)	\$ 23,063,012	\$ 43,082,673
Perspective differences:		
- Certain on-behalf payments made by County are not budgeted, as they are an expenditure of the County, but must be recorded as a revenue and expenditure by the Authority under GAAP	6,373,618	
- Uncollectible receivable is not budgeted and is recorded as bad debt expense under GAAP		1,849
Actual Expenditure (GAAP basis)	\$ 29,436,630	\$ 43,084,522
Other Financing Sources and Uses (Budget Basis)		14,129,231
Perspective differences:		
Transfer In:		
- Funds transferred from the County Construction Fund to the Park Revenue Fund for payment of the Hunter Tract note to the Fairfax County Integrated Sewer System are recorded as inter-governmental revenue under GAAP		(15,029,231)
Other Financing Sources and Uses (GAAP basis)	\$ -	\$ (900,000)